

**REPORT OF THE AUDIT OF THE  
GRAVES COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2005**

**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**GRAVES COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2005**

Romaine & Associates, PLLC has completed the Graves County Sheriff's audit for the year ended December 31, 2005. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees decreased by \$62,871 from the prior year, resulting in a deficit owed of \$42,222 as of December 31, 2005. Revenues decreased by \$178,059 from the prior year and expenditures decreased by \$115,188. As of the audit date, the Sheriff still owes excess fees of \$23,826 for 2003, and \$20,649 for 2004 for a total of \$44,475. The Sheriff has a fund deficit of \$42,222 as of December 31, 2005.

**Debt Obligations:**

Total debt principal as of December 31, 2005, was \$62,751. Future collections of \$64,337 are needed over the next year to pay all debt principal and interest.

**Report Comments:**

- The Sheriff Should Remit \$44,475 In Excess Fees To The Fiscal Court
- The Sheriff Should Eliminate Deficit of \$42,222 In His Fee Account
- The Sheriff Should Establish A Bank Account For Payroll Withholdings
- The Sheriff Should Establish Separate Bank Accounts For Forfeited Property And Drug Awareness
- The Sheriff Should Maintain Complete and Accurate Accounting Records
- The Sheriff Should Prepare and Publish An Annual Fee Settlement
- The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Krista Romaine, CPA, Member  
Charlotte Clark, Member

# Romaine *and* Associates PLLC

William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Tony Smith, Graves County Judge/Executive  
The Honorable John Davis, Graves County Sheriff  
Members of the Graves County Fiscal Court

## Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Graves County, Kentucky, for the year ended December 31, 2005. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2005, in conformity with the regulatory basis of accounting described in Note 1.

The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

The Honorable Tony Smith, Graves County Judge/Executive  
The Honorable John Davis, Graves County Sheriff  
Members of the Graves County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2008 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff Should Remit \$44,475 In Excess Fees To The Fiscal Court
- The Sheriff Should Eliminate Deficit of \$42,222 In His Fee Account
- The Sheriff Should Establish A Bank Account For Payroll Withholdings
- The Sheriff Should Establish Separate Bank Accounts For Forfeited Property And Drug Awareness
- The Sheriff Should Maintain Complete and Accurate Accounting Records
- The Sheriff Should Prepare and Publish An Annual Fee Settlement
- The Sheriff's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Graves County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

Krista Romaine, CPA  
Romaine & Associates, PLLC

May 7, 2008

GRAVES COUNTY  
JOHN DAVIS, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2005

Revenues

Federal Grants

Meth	\$ 12,728	
Highway Safety Program	7,804	
Traffic Awareness Program	9,485	
Tri-County Drug Task Force	31,480	\$ 61,497

State - Kentucky Law Enforcement Foundation Program Fund	35,984
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State Fees For Services:

Finance and Administration Cabinet	64,560	
Cabinet For Health and Family Services	1,017	
Sheriff's Security Service	35,966	101,543

Circuit Court Clerk:

Fines and Fees Collected	\$ 6,357	
Court Ordered Payments	280	6,637

Fiscal Court	113,962
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County Clerk - Delinquent Taxes	4,260
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Commission On Taxes Collected	325,149
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Fees Collected For Services:

Auto Inspections	\$ 17,510	
Accident and Police Reports	2,137	
Serving Papers	37,271	
Carrying Concealed Deadly Weapon Permits	12,280	
Sheriff Fees	37,230	106,428

GRAVES COUNTY  
 JOHN DAVIS, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2005  
 (Continued)

Revenues (Continued)

Other:

Returned Check Fees	\$	335	
Extra Security		29,509	
Payroll Deductions		9,150	
Insurance Payments		25,124	
Restitution		565	
Conveyance to Us		1,380	
Personal Goods		645	
2nd Notice Fees		7,381	
Miscellaneous		1,823	75,912

School Resource Officer 19,180

Interest Earned 721

Borrowed Money:

State Advancement	\$	150,000	
Bank Note		12,000	162,000

Total Revenues \$ 1,013,273

Expenditures

Operating Expenditures:

Personnel Services-			
Deputies' Salaries	\$	438,708	
Part-Time Salaries		80,959	
Other Salaries		13,835	\$ 533,502
Employee Benefits-			
Employer's Share Social Security			41,908
Contracted Services-			
Advertising	\$	212	
Vehicle Maintenance and Repairs		29,185	
Computer Services		1,641	31,038
Materials and Supplies-			
Office Materials and Supplies	\$	14,085	
Uniforms		732	14,817
Auto Expense-			
Gasoline	\$	55,155	
Maintenance and Repairs		14,690	69,845

The accompanying notes are an integral part of this financial statement.

GRAVES COUNTY  
 JOHN DAVIS, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2005  
 (Continued)

Expenditures (Continued)

Other Charges-		
Training	\$ 2,133	
Conventions and Travel	2,629	
Dues	510	
Postage	8,058	
Bond	1,426	
Carrying Concealed Deadly Weapon Permits	10,975	
Canine	1,142	
Miscellaneous	17,470	
Out of County/Refunded Svc Fees	100	
Transports	10,806	
Jury	274	55,523
Debt Service:		
State Advancement	\$ 150,000	
Notes	77,007	
Interest	5,203	232,210
Total Allowable Expenditures		978,843
Net Revenues		\$ 34,430
Less: Statutory Maximum		76,652
Excess of Expenditures Over Revenues		\$ (42,222)

The accompanying notes are an integral part of this financial statement.



GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2005

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2005 services
- Reimbursements for 2005 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2005

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2005  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent for the first six months and 10.98 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

GRAVES COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2005  
(Continued)

Note 4. Note Payable

The office of the Sheriff is liable for a secured note payable to First National Bank in the amount of \$62,751. Purpose of the note was to refinance bank note from the prior years and also to purchase a new police vehicle. The note matures upon demand and the interest rate is 5.00 percent. The office of the Sheriff was in compliance with the terms of the agreement as of December 31, 2005.

<b>Year Ending</b>	<b>Interest</b>	<b>Principal</b>
2006	\$1,586	\$62,751

Note 5. Grants

During calendar year 2005, the Graves County Sheriff's Office participated in several federal and state grant programs of which the activity was accounted for in the Fee Account. The Sheriff's Office was in compliance with all related regulations and grant agreements as of December 31, 2005.

Note 6. Special Fund

The Graves County Sheriff maintains a separate account mainly for drug related activities and some miscellaneous activities. The beginning balance of this account was \$2,992. During calendar year 2005 receipts were \$8,713 and expenditures were \$11,201 leaving an ending balance of \$504 as of December 31, 2005.

Note 7. Excess Fees

KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his annual settlement. At the beginning of this year, excess fees of \$77,201 were owed to the fiscal court. During the year, interest of \$23 was added to the prior year fee accounts. The Sheriff paid excess fees of \$32,749 to the fiscal court during the year. The following schedule illustrates the transactions that occurred during the year:

	Beginning Balance	Additions	Reductions	Ending Balance
Excess Fees - 2001	\$ 10,001	\$	\$ 10,001	\$
Excess Fees - 2002	44	23	67	
Excess Fees - 2003	46,507		22,681	23,826
Excess Fees - 2004	20,649			20,649
	<u>\$ 77,201</u>	<u>\$ 23</u>	<u>\$ 32,749</u>	<u>\$ 44,475</u>

GRAVES COUNTY  
JOHN DAVIS, SHERIFF  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2005

Assets

Cash in Bank	\$ 4,311	
Deposits in Transit	23,739	
Receivables:		
2005 Receivables	<u>29,016</u>	
Total Assets		<u>\$ 57,066</u>

Liabilities

Paid Obligations:		
Outstanding Checks (2005)	\$ 56,918	
Outstanding Liabilities (2005)	<u>42,370</u>	
Total Liabilities		<u>99,288</u>
Total Fund Deficit as of December 31, 2005		<u><u>\$ (42,222)</u></u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Krista Romaine, CPA, Member  
Charlotte Clark, Member



William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Tony Smith, Graves County Judge/Executive  
The Honorable John Davis, Graves County Sheriff  
Members of the Graves County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Graves County Sheriff for the year ended December 31, 2005, and have issued our report thereon dated May 7, 2008. The County Official's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Graves County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The following reportable condition is described in the accompanying comments and recommendations.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Graves County Official's financial statement for the year ended December 31, 2005, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Remit \$44,475 In Excess Fees To The Fiscal Court
- The Sheriff Should Eliminate Deficit of \$42,222 In His Fee Account
- The Sheriff Should Establish A Bank Account For Payroll Withholdings
- The Sheriff Should Establish Separate Bank Accounts For Forfeited Property And Drug Awareness
- The Sheriff Should Maintain Complete and Accurate Accounting Records
- The Sheriff Should Prepare and Publish An Annual Fee Settlement

This report is intended solely for the information and use of management, the Graves County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Krista Romaine, CPA  
Romaine & Associates, PLLC

May 7, 2008

## COMMENTS AND RECOMMENDATIONS



GRAVES COUNTY  
JOHN DAVIS, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2005

STATE LAWS AND REGULATIONS:

The Sheriff Should Remit \$44,475 In Excess Fees To The Fiscal Court

The Sheriff owes excess fees of \$44,475 to the Fiscal Court. Excess fees of \$20,649 are due for 2004, \$23,826 are due for 2003. The prior year outstanding excess fees of \$77,201 were reduced to \$44,475 during the 2005 year.

Most of these additional excess fees are due to timing errors incurred by the sheriff's office in posting his receipts and expenditures to the proper year. The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31:

- Interest earned during 2005.
- Collection on accounts due from others for 2005 services.
- Reimbursements for 2005 activities.
- Tax commissions due from December tax collections.
- Payments due other governmental entities for payroll.
- Payments due vendors for goods or services provided in 2005.

We recommend that the Sheriff pay the fiscal court all excess fees currently due and, in the future, Post revenues and expenditures to the proper period and settle his fee account annually with the fiscal court by September 1 as required by KRS 134.310(6).

*Sheriff's Response: Will work with fiscal court to correct this.*

The Sheriff Should Eliminate Deficit Of \$42,222 In His Fee Account

There was a deficit of \$42,222 in the Sheriff's Official Fee Account as of December 31, 2005. This deficit resulted from the Sheriff spending more than the office earned during the period. Basically, the Sheriff spent most of the prior year excess fees that were due to fiscal court on current operating expenses of the Sheriff's office. We recommend that the Sheriff deposit \$42,222 of personal funds into the account to eliminate this deficit.

*Sheriff's Response: Will work with fiscal court to correct this.*

The Sheriff Should Establish A Bank Account For Payroll Withholdings

The Sheriff is currently storing cash in a locked filing cabinet in the sheriff's office for undistributed payroll withholdings. We consider this to be a weak internal control policy. We recommend that the Sheriff establish a payroll withholding bank account to account for all payroll withholdings including federal, state, and local taxes; Christmas club; scholarship donations and equipment reimbursements. When due, these payroll withholdings should be distributed from this payroll withholding bank account to the designated parties. A ledger should also be maintained detailing all categories that were receipted into and paid from this payroll revolving account.

GRAVES COUNTY  
JOHN DAVIS, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2005  
(Continued)

The Sheriff Should Establish A Bank Account For Payroll Withholdings (Continued)

At the end of the year, any unexpended funds from this payroll withholding account should be carried forward rather than be submitted as excess fees, and any unexpended funds at the end of the Sheriff's term should be zeroed out before turning this bank account over to the new sheriff.

Payroll withholdings for donations to the Sheriff's re-election campaign, however, should not be deducted from payroll. The sheriff doesn't want to give the impression that campaign donations are a requirement for employment. Therefore, we recommend that any deputies, who wish to contribute to the Sheriff's re-election campaign, write a personal check to the Sheriff's campaign committee, which should be accounted for outside the Sheriff's Office by his campaign chairman.

*Sheriff's Response: Will comply.*

The Sheriff Should Establish Separate Bank Accounts For Forfeited Property And Drug Awareness

The Sheriff maintains a "Special Fund" which is used to account for court order forfeitures and other "special activities" such as payroll withholdings for scholarship awards and proceeds from calendar sales. The Sheriff should establish a separate bank account for Forfeited Property, which should be used exclusively to account for drug related law enforcement activities with property seizures and forfeited property receipts being the only deposits. Expenditures made from the Forfeited Property account should be used either for direct law enforcement purposes as required by KRS 218A.435, or as specifically directed in the court's order of forfeiture. We also recommend that the Sheriff establish a separate bank account for Drug Awareness, which should be used to account for the DARE program. We recommend that the Sheriff account for all other financial activities separately from forfeited property and drug awareness activities.

Also, KRS 218A.440 requires that each law enforcement agency seizing property and/or money, pursuant to KRS.218A.415 shall, at the close of each year, file a statement with the Auditor of Public Accounts and with the Secretary of Justice containing a detailed listing of all money and property seized in that year and the disposition thereof. No such statement has been filed. We recommend that the Sheriff file a Property Seizure and Disposition Annual Statement as required by KRS 218A.440.

At the end of the year, any unexpended funds for Forfeited Property and Drug Awareness should be carried forward rather than be submitted as excess fees, and any unexpended funds from these same two accounts should remain the property of the Sheriff's office at the end of the Sheriff's term.

*Sheriff's Response: Will arrange for proper accounts.*

GRAVES COUNTY  
JOHN DAVIS, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2005  
(Continued)

The Sheriff Should Maintain Complete and Accurate Accounting Records

KRS 68.210 and KRS 134.160 require the Sheriff to maintain complete and accurate accounting records. We noted severe deficiencies in the Sheriff's accounting records. We recommend that the Sheriff establishes and maintains proper accounting records as required by KRS 68.210 and KRS 134.160 by implementing following procedures:

- All checks should be issued in numerical sequence, supported by proper documentation and posted to the disbursements ledger
- Checks more than 90 days old should be investigated
- Ledgers should be maintained/updated on all accounts until such accounts are closed-out
- Any fee monies received after the close of the year should be deposited to the fee account it pertains to.
- The Quarterly Report (front page) should include a reconciliation for all accounts of the Sheriff's office for the entire year
- Budget Amendments should be submitted and approved by the fiscal court for any unexpected receipts and/or expenditures
- Receipts and expenditures ledgers should be reconciled to the Quarterly Report
- Bookkeeper should reconcile accounts receivables to the ledgers monthly

*Sheriff's Response: Will comply.*

The Sheriff Should Prepare An Annual Fee Settlement

The Sheriff has not prepared an annual settlement as required by KRS 134.310(5). KRS 134.310(5) requires the Sheriff to file an annual settlement with the fiscal court when he files his yearly tax settlement, with September 1 being the latest date to file. We recommend the Sheriff comply with this statute by preparing and filing an annual settlement within the proper time period.

*Sheriff's Response: Will comply.*

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff's office lacks adequate segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by initialing the bank deposit, daily check out sheet, and receipts ledger.

GRAVES COUNTY  
JOHN DAVIS, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2005  
(Continued)

The Sheriff's Office Lacks Adequate Segregation Of Duties (Continued)

- The Sheriff should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. The Sheriff should also compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. The Sheriff could document this by initialing the quarterly financial report.
- The Sheriff should periodically compare invoices to payments. The Sheriff could document this by initialing the invoices.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by initialing the bank reconciliation and the balance in the checkbook.

*Sheriff's Response: Will attempt to meet recommendations.*